

Annual Report

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ACCOUNTING DIVISION
INDIANA DEPARTMENT OF REVENUE

Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired

For the fiscal year ended September 30, 2004

InTRAC's 2004 Annual Report

The Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) continued to provide quality and efficient service in its twelfth year of telephone relay services (TRS) for hearing- and speech-impaired callers.

Description of Services. Beginning October 1, 1992, InTRAC began providing telecommunication relay services to Indiana citizens through Sprint, its relay provider. TRS allows an individual who has a hearing or speech impairment to communicate over the telephone with a hearing individual. Sprint provides this service through the operation of a Network Call Distribution system with 14 TRS centers nationwide. Sprint currently provides relay service to 32 states, the federal government, the Commonwealth of Puerto Rico, and New Zealand. Individuals in Indiana with hearing or speech impairments can call these centers using a toll-free number (800-743-3333) or by dialing 711. Persons with standard phones can also initiate calls to the center.

At the centers, specially trained relay operators receive the incoming calls from either a standard phone user or a deaf, hard of hearing, or speech impaired relay user. The operator then dials the desired number and connects the two telephone users. The operator reads aloud the text telephone message to the standard telephone caller and transmits that caller's oral responses back to the non-standard telephone user through the text telephone, computer, or video phone.

A variety of relay calls are provided to meet the variety of special needs in the deaf, hard of hearing, or speech impaired community. Those relay services include:

TTY – Persons who are deaf and do not voice may use a text telephone.

VCO – Persons who are hard-of-hearing but able to voice may use Voice Carry Over service.

HCO – Persons who can hear but are not able to voice may use Hearing Carry Over.

SPEECH TO SPEECH – Persons who can hear but have difficulties with unclear speech may use this service.

SPANISH TO SPANISH – Persons who are deaf and need their conversation understood in Spanish may use this service.

VIDEO RELAY SERVICE (VRS) – For persons who are deaf using ASL, the interpreter/operator will appear on the screen of the computer or television and will place the call in the same way as a standard relay call.

VIDEO TELEPHONE – A person uses the Relay service through high speed internet access and his or her television to connect with the VRS interpreter/operator.

INTERNET RELAY (SRO) – A person using a computer can see what is typed by the operator (while the standard phone user speaks).

CAPTEL (CAPTIONED TELEPHONE) – When the other party speaks, the relay operator "re-voices" the words simultaneously while the operator's computer sends the conversation to the CapTel user in the form of text, which appears on the CapTel screen.

VOICE USER – For persons who use a standard phone and wish to speak with others who use special equipment to communicate.

Internet Relay (IP) and Video Relay Service (VRS) are extremely popular within the relay user community. In Indiana, IP Relay is accessed by going online and connecting to www.sprintrelayonline.com. As with the TTY, the user types his or her side of the conversation and the relay operator voices it to the standard phone user. Whatever the standard phone users says is then typed by the operator for the originating caller to read on the computer screen.

The Video Relay Service provides the deaf community an opportunity to use their primary form of communication – sign language. The users must have high speed internet connection ability and either a webcam or a videophone. The users go online to www.invrs.com and see a live interpreter at the relay center on their screen. The relay users then sign their conversations to the interpreter who voices the call for them. The standard phone users' responses are then signed back to the deaf user. This is real time and a much more natural form of conversation. Currently, IP Relay and VRS are funded by the National Exchange Carriers Association (NECA) and not paid for by InTRAC.

The operators who staff the TRS centers are well trained. To be employed, each must pass an examination that covers spelling, typing, dictation, TRS procedures, certain aspects of American Sign Language, deaf culture, ethics, etiquette, and a confidentiality statement.

InTRAC's TRS centers process several types of calls, including: local calls, intrastate and interstate long distance calls, and international calls that originate in Indiana. Users of the centers can choose their long-distance carriers to the same extent those not using the centers to place calls may do so.

No special charge for TRS is imposed on those who use the TRS centers. Neither the party originating nor the party receiving a call processed by the centers pays a surcharge for calls originating and terminating within the same toll-free, local calling area -- even though the call must pass through the TRS centers located throughout the country. Similarly, those who use the centers to make long distance calls are charged rates no greater than the rates paid for functionally equivalent voice communication services.

Because InTRAC's relay services are processed through a Network Call Distribution system, and have the ability to automatically process calls through several TRS centers, it is unlikely that service will ever be disrupted by a cable cut, adverse weather or other event. Each TRS center provides TRS to Indiana callers seven days a week, 52 weeks a year, and each is equipped with state-of-the-art telecommunications equipment and software. Each center can receive messages from text telephones that use Baudat and ASCII codes and can automatically identify the type of incoming signals.

Developments During the Year. During InTRAC's 2004 fiscal year, the following activities occurred.

Captioned Telephone – As of May 1, 2004, the Board of Directors approved the addition of captioned telephone (CapTel) to Indiana's relay platform. The Federal Communications Commission has approved CapTel as "Enhanced" VCO. Using a CapTel phone, users place calls the same way they would using a traditional phone by dialing the number directly. The CapTel phone automatically connects to the captioning service.

Behind the scenes, a specially trained operator transcribes everything the other party says into written text (captions) using the very latest in voice-recognition technology. The captions appear on the display window built into the CapTel phone. Relay users have a much more natural flow to the conversation and no longer need to take turns or slow the speed of speaking due to the operators' typing speed. This type of Enhanced VCO is much faster than traditional VCO, because the operator no longer types the conversation.

Equipment Loaner Program. InTRAC initiated an equipment loaner program on March 6, 1997 for hearing- and speech-impaired persons unable to afford a TTY. Through the end of this fiscal year, September 30, 2004, we have lent a total of 2400 pieces of equipment. InTRAC repairs and replaces the units as necessary. As technology improves, InTRAC is committed to providing the most updated equipment to individuals who have a financial need in order that they too are able to utilize the relay service.

Currently, InTRAC lends a Superprint 4425 TTY; a multipurpose Uniphone 1140 for VCO/HCO/TTY users; a Dialogue VCO for either amplification or VCO users; D-Link DVC 100 video phone for VRS calls; and CapTel units for Enhanced VCO captioning relay calls. Citizens of Indiana earning below the median income can apply to receive equipment on loan from InTRAC.

Service Volume. In the twelve months ending September 30, 2004, InTRAC received 934,734 calls to the relay center and placed 1,259,207 calls. The number of inbound and outbound calls through the Relay Center has decreased from previous years. This decrease is due to new technology, as users continue to communicate heavily through IP Relay, VRS, e-mail, and pagers. However, traditional TRS use continues to surpass all other forms of relay service.

The Chart below shows the number of calls processed by InTRAC's TRS center and the average length of those calls in minutes during the fiscal year ending September 30, 2004.

Month of Operation	Outbound Calls	Inbound Calls	Average Call Length
October 2003	110,727	83,187	4.40
November 2003	105,364	80,420	4.38
December 2003	109,077	84,247	4.50
January 2004	108,803	84,737	4.57
February 2004	101,775	77,856	4.55
March 2004	110,941	84,435	4.59
April 2004	106,533	79,721	4.40
May 2004	105,119	84,062	4.23
June 2004	103,939	79,032	4.21
July 2004	103,375	80,254	4.16
August 2004	100,526	77,665	4.37
September 2004	93,028	72,118	4.31
TOTALS	1,378,936	1,014,377	

Complaint Filing. On July 1, 2004, InTRAC filed its Annual Report of Complaints with the FCC. Users of InTRAC's relay centers have been extremely pleased with the overall quality of the service. The 1,378,936 calls processed by the center during June 2003 – May 2004 resulted in 58 complaints – less than one hundredth of one percent (0.001%).

Service Levels. The FCC has established quite stringent operational, technical and functional standards for telecommunications relay services. For example, 85% of the calls received in the relay center must be answered in ten seconds or less. During 2004, InTRAC's numbers exceeded the FCC performance standard, with 95% of the calls answered in ten seconds or less. The average answer time for all calls was 1.91 seconds. A second important FCC requirement for relay service providers is that the grade of service must be a minimum of PO1. This means that if one hundred people simultaneously call the relay center during the busiest period of the day, only one call would be blocked due to the lack of available telephone equipment. InTRAC's results have continuously exceeded this requirement.

Promotional Activities. An important part of InTRAC's mission is to ensure that Indiana citizens are aware of the relay services that InTRAC provides. Toward that end, InTRAC has engaged in a number of promotional activities including:

- **Radio Advertisements.** InTRAC continued to advertise on WIBC and Network Indiana. These advertisements are directed toward businesses within Indiana and encourage them to “not hang up” on relay calls. Relay customers found that many businesses misunderstood the calls and would hang up. Businesses can sign up on-line as a company willing to accept relay calls. Relay users utilize this categorized business list found at www.relayindiana.com when wanting to place a call for a particular business.
- **Television Advertisements.** InTRAC continued to advertise on PAX-TV and SkyTrak13 Weather Channel in 2004. Each Sunday evening during *Sue Thomas FBEye*, a weekly series based on a true story of a deaf FBI agent, a 30 second commercial in American Sign Language helped sponsor the program. This ad has captioning for the *hearing*. This commercial encouraged viewers to “not hang up” on relay calls. In addition, this commercial also ran daily on SkyTrak13 Weather Channel as well as a continual scrolling banner that informed viewers to learn more about the telephone relay service on InTRAC's website.
- **Print Advertisement.** InTRAC hired a local advertising firm to specifically target one Indiana community that traditionally records high usage numbers through Relay Indiana. InTRAC targeted Evansville and worked with the Chamber of Commerce to notify businesses in that area about Relay Indiana and explained how their company could join InTRAC's Relay Business Partners.

InTRAC will continue to focus on individual towns to educate the community.

- **Town Hall Meetings.** At these meetings, InTRAC's relay services are explained to the hearing- and speech-impaired persons, employees of service agencies and businesses that may need to communicate with those who are hearing- or speech-impaired. During the past fiscal year, InTRAC held town hall meetings in the following Indiana communities: Fort Wayne, Indianapolis, Merrillville, Monticello, New Albany, Richmond, South Bend, and Terre Haute.
- **Other Informational Meetings.** In addition to town hall meetings, InTRAC has also held a number of meetings at educational institutions, service agencies, and businesses in Indiana. For example, during the last fiscal year, informational meetings were held at Behavioral Health Corp., Butler University, Community Agencies for the Deaf, Greater Indianapolis Deaf Club, Hoosier Outdoor Club for the Deaf, IUPUI, and Indiana School for the Deaf.
- **Conferences and Trade Shows.** To make others aware of InTRAC's relay services, InTRAC also participated in a number of conferences and trade shows held throughout Indiana. Over 5,330 persons received Relay Indiana information at various conferences and trade shows during the last fiscal year at the ISD Homecoming, Region Academic Bowl, Deaf National Expo, State Disability Fair, Indiana School for the Deaf Alumni Association Reunion, and Registry of Interpreters for the Deaf.

- **Consumer Advisory Committee.** The wide scope of interests representative of the deaf and hard of hearing communities makes this committee an ideal means of communicating developments in the relay service to various constituencies in Indiana, as well as feedback to the InTRAC Board of Directors.

Annual Meeting. On December 9, 2004, InTRAC held its annual meeting for the fiscal year ended September 30, 2004. To maintain continuity in its membership, InTRAC's directors are elected to staggered three-year terms. Consequently, only two of the seven director's seats are up for election at each annual meeting. Re-elected to a three-year term were Cindy Taylor, Ligonier Telephone Co. and Charles R. Mercer, Sprint Telephone.

Board of Directors Meeting. At the organizational meeting held on March 5, 2004, Mitchell Proctor, TDS Telecom, elected as President; Cindy Taylor, New Paris Telephone, was re-elected as Secretary, and Neil Krevda, Verizon, was re-elected as Treasurer. The remaining directors of InTRAC are: Charles F. Coon, Washington County RTC; Charles R. Mercer, Sprint Telephone; Duane Hazelbaker, SBC; and Jim Van Manen, Deputy Director, Deaf and Hard of Hearing Services, State of Indiana.

Test of Surcharge Collected and Remitted by Members. InTRAC's accounting firm, Kehlenbrink, Lawrence & Pauckner, has been engaged to perform tests of the books and records of the local exchange carriers and cellular providers that are members of InTRAC, to determine whether the members are collecting and remitting properly the surcharge that funds InTRAC's operations. Since the surcharge was enacted, tests have been performed of the books and records of several local exchange carriers and cellular providers. Additional tests were conducted during the last fiscal year. These reviews have revealed that the members are collecting and remitting the surcharge correctly.

Audit of Sprint Billings. Telecommunication relay services are provided in Indiana on behalf of InTRAC under a contract with Sprint Services. InTRAC pays Sprint based upon the number of minutes of relay service that Sprint provides. Under the contract with Sprint, InTRAC has the right to audit and test Sprint's books and records to ensure that InTRAC is billed properly for the services that Sprint provides. As a result, InTRAC employed the accounting firm of Kehlenbrink, Lawrence & Pauckner to perform various tests of Sprint's billing system. These tests revealed no failures in the systems for generating the billing to InTRAC.

Financial Statements. Financial statements prepared by the independent accounting firm of Dunbar, Cook & Shephard meeting the requirements of Ind. Code § 8-1-2.8-21(6)(D) are attached hereto and incorporated herein.

InTRAC
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired

AUDITED FINANCIAL STATEMENTS

September 30, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Indiana Telephone Relay Access Corporation
for the Hearing and Speech Impaired
Indianapolis, Indiana

We have audited the accompanying statements of financial position of **Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC)**, a nonprofit organization, as of September 30, 2004 and 2003, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of InTRAC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired as of September 30, 2004 and 2003, and the changes in its unrestricted net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

December 14, 2004

Dunbar, Cook & Shepard, P.C.

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INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
STATEMENTS OF FINANCIAL POSITION
September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,128	\$ 39,545
Investments - money funds	1,992,917	2,828,159
Estimated accounts receivable	471,867	491,395
Interest receivable	71,677	62,818
Other current assets	<u>5,599</u>	<u>4,008</u>
TOTAL CURRENT ASSETS	2,544,188	3,425,925
PROPERTY AND EQUIPMENT		
Furniture and equipment	44,460	44,460
Less accumulated depreciation	<u>(41,295)</u>	<u>(40,131)</u>
TOTAL PROPERTY AND EQUIPMENT	3,165	4,329
OTHER ASSETS		
Deposits	1,000	1,000
Investments - other	<u>5,639,803</u>	<u>4,476,830</u>
TOTAL OTHER ASSETS	<u>5,640,803</u>	<u>4,477,830</u>
TOTAL ASSETS	<u>\$8,188,156</u>	<u>\$7,908,084</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 749,978	\$ 920,987
Accrued taxes	<u>960</u>	<u>1,034</u>
TOTAL CURRENT LIABILITIES	750,938	922,021
UNRESTRICTED NET ASSETS	<u>7,437,218</u>	<u>6,986,063</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$8,188,156</u>	<u>\$7,908,084</u>

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)

STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
For the Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
REVENUES		
Local exchange carriers	\$2,292,541	\$2,413,015
Wireless carriers	<u>1,648,908</u>	<u>1,292,992</u>
TOTAL REVENUES	3,941,449	3,706,007
DIRECT EXPENSES		
Contract relay service	<u>3,133,431</u>	<u>3,417,452</u>
GROSS MARGIN	808,018	288,555
PROGRAM EXPENSES		
TTY equipment	120,651	153,940
TTY promotion	<u>3,429</u>	<u>1,333</u>
TOTAL PROGRAM EXPENSES	124,080	155,273
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting	24,240	19,326
Advertising	85,981	105,170
Depreciation	1,164	1,213
Dues and subscriptions	1,085	695
Fringe benefits and other related employee expenses	23,648	21,409
Insurance expense	12,334	11,846
Interpreter fees	945	658
Investment advisory fees	34,496	37,772
Legal	7,165	11,233
Meals	781	835
Meeting expense	516	-
Miscellaneous	861	2,793
Office rent	32,928	30,648
Office supplies	6,944	7,634
Public relations	12,450	7,285
Salaries	55,584	51,961
Telephone	9,704	7,136
Travel and entertainment	<u>3,011</u>	<u>3,188</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>313,837</u>	<u>320,802</u>
INCOME (LOSS) FROM OPERATIONS	370,101	(187,520)
OTHER INCOME		
Investment income	70,162	157,627
Rental income	<u>10,892</u>	<u>10,351</u>
TOTAL OTHER INCOME	<u>81,054</u>	<u>167,978</u>
CHANGES IN UNRESTRICTED NET ASSETS	451,155	(19,542)
UNRESTRICTED NET ASSETS - BEGINNING	<u>6,986,063</u>	<u>7,005,605</u>
UNRESTRICTED NET ASSETS - ENDING	<u>\$7,437,218</u>	<u>\$6,986,063</u>

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)

STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in unrestricted net assets	\$ 451,155	\$ (19,542)
Adjustments to reconcile changes in unrestricted net assets to net cash from operating activities:		
Depreciation	1,164	1,213
Gain/loss on investments	93,339	(15,642)
Amortization of bond premiums	89,809	80,135
Increase (decrease) in:		
Estimated accounts receivable	19,528	(41,159)
Accounts payable	(171,009)	(22,769)
Other	<u>(10,525)</u>	<u>(25,175)</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	473,461	(42,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in money market funds	835,243	989,040
Purchase of property and equipment	-	(2,129)
Purchase of investments	(2,734,642)	(2,248,278)
Proceeds on sale of investments	<u>1,388,521</u>	<u>1,306,439</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>(510,878)</u>	<u>45,072</u>
NET INCREASE (DECREASE) IN CASH	(37,417)	2,133
CASH AND CASH EQUIVALENTS - BEGINNING	<u>39,545</u>	<u>37,412</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,128</u>	<u>\$ 39,545</u>

See accompanying notes and auditors' report.

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**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS
September 30, 2004 and 2003**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE - Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired (InTRAC) is an Indiana non-profit corporation established by state statute on February 25, 1991. Its purpose is to provide telephone relay service to hearing and speech-impaired persons throughout the state of Indiana. InTRAC's responsibility is to coordinate the efforts of the 42 Indiana telephone company members to comply with the laws of the Federal Communication Commission (FCC) concerning telephone relay service. In 1997, InTRAC initiated a program that provides text telephone (TTY) devices to persons with financial needs.

METHOD OF ACCOUNTING - InTRAC records revenue and expense using the accrual method of accounting.

CASH AND CASH EQUIVALENTS - For the purposes of the statements of cash flows, InTRAC considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. During the year, InTRAC held balances in excess of \$100,000 in a financial institution, which were not insured by the FDIC.

CONCENTRATION OF CREDIT RISK - InTRAC maintains its bank accounts with funds, at times, in excess of limits set and insured by the FDIC. Investments are maintained with other financial institutions with funds, at times, in excess of limits set and insured by the FDIC and SIPC. The Organization has not experienced any losses on such accounts. Management believes the Organization is not exposed to any significant credit risk related to those accounts.

INVESTMENTS - Investments are composed of money market funds, annuities and mutual funds investing in debt and fixed income securities, and individual debt securities. These investments are carried at market value. Bond premiums are being amortized over the life of the bond and charged against interest income.

ESTIMATED ACCOUNTS RECEIVABLE - All accounts receivable are from Local Exchange Carriers (LEC's) or wireless companies and are comprised of charges that are expected to have been collected but not remitted to InTRAC. These receivables are unsecured and totaled \$471,867 and \$491,395 at September 30, 2004 and 2003, respectively. Because these receivables are estimated, it is possible, though not expected, that the estimated amount could change in the near term. Since the surcharge revenues are mandated by the Indiana Utility Regulatory Commission, no allowance for doubtful accounts has been established.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2004 and 2003**

NOTE A - CONTINUED

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred. It is the policy of InTRAC to capitalize cost of equipment which exceeds \$500. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets. Depreciation expense for the years ended September 30, 2004 and 2003 was \$1,164 and \$1,213, respectively.

BASIS OF PRESENTATION - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, InTRAC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All net assets of InTRAC are unrestricted.

ADVERTISING - InTRAC has a policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended September 30, 2004 and 2003 was \$85,981 and \$105,170, respectively.

REVENUE - InTRAC's main source of funding is a surcharge levied monthly by LEC's on all business and residential telephone access lines. The surcharge is \$0.06 per access line.

In addition, InTRAC has contracted with most of the wireless telephone companies to provide relay service. These contracts call for wireless customers to be assessed a surcharge equal to the surcharge assessed to LEC customers.

INCOME TAXES - InTRAC is exempt from taxation under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision is made for federal income taxes on the Organization's exempt activities.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2004 and 2003**

NOTE B - CONTRACTS AND COMMITMENTS

InTRAC contracts with an independent contractor (Sprint) to provide all of the relay service, based on a per-minute charge. A contract was signed in October 2002, which will provide relay services through October 31, 2005.

InTRAC also contracts with an independent contractor, Indiana Telecom Service, to purchase equipment sets for the use by hearing and speech impaired residents of Indiana. A contract was signed March 1, 2004 and extends until February 28, 2005.

InTRAC has committed to purchasing advertising from various media companies through February 2005 in the amount of \$44,244 and \$58,800 for 2004 and 2003, respectively.

NOTE C - INVESTMENTS

InTRAC's investments were comprised of the following at September 30, 2004:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 696,917	\$ 696,917	\$ 696,917
Schwab Value Advantage	<u>1,296,000</u>	<u>1,296,000</u>	<u>1,296,000</u>
Total Investments - money funds	1,992,917	1,992,917	1,992,917
Life insurance and annuities	700,000	703,054	703,054
U.S. Government obligations	2,136,248	2,138,907	2,138,907
Corporate obligations	1,988,472	1,999,540	1,999,540
CMOs and Asset-Backed Securities	552,842	549,204	549,204
Bond funds	44,312	41,591	41,591
Equity funds	<u>204,362</u>	<u>207,507</u>	<u>207,507</u>
Total Investments - other	<u>5,626,236</u>	<u>5,639,803</u>	<u>5,639,803</u>
Total	<u>\$7,619,153</u>	<u>\$7,632,720</u>	<u>\$7,632,720</u>

**INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2004 and 2003**

NOTE C - CONTINUED

InTRAC's investments were comprised of the following at September 30, 2003:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Schwab Cash and Money Market Funds	\$ 782,159	\$ 782,159	\$ 782,159
Schwab Value Advantage	<u>2,046,000</u>	<u>2,046,000</u>	<u>2,046,000</u>
Total Investments - money funds	2,828,159	2,828,159	2,828,159
U.S. Government obligations	1,905,466	1,942,482	1,942,482
Corporate obligations	2,093,191	2,146,562	2,146,562
CMOs and Asset-Backed Securities	<u>381,685</u>	<u>387,786</u>	<u>387,786</u>
Total Investments - other	<u>4,380,342</u>	<u>4,476,830</u>	<u>4,476,830</u>
Total	<u>\$7,208,501</u>	<u>\$7,304,989</u>	<u>\$7,304,989</u>

Investment income consisted of the following at September 30:

	<u>2004</u>	<u>2003</u>
Realized loss on investments	\$ (4,191)	\$ (5,431)
Unrealized gain (loss) on investments	(89,148)	21,073
Dividend and interest income	<u>163,501</u>	<u>141,985</u>
	<u>\$ 70,162</u>	<u>\$ 157,627</u>

INDIANA TELEPHONE RELAY ACCESS CORPORATION
FOR THE HEARING AND SPEECH IMPAIRED
(InTRAC)
NOTES TO FINANCIAL STATEMENTS CONTINUED
September 30, 2004 and 2003

NOTE D - LEASES

InTRAC entered into a lease agreement on November 1, 2002 for administrative office space, expiring on October 31, 2007. Total office rent expense for the years ended September 30, 2004 and 2003 was \$32,928 and \$30,648, respectively. Future minimum lease rentals for years ending September 30 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2005	\$ 30,215
2006	31,001
2007	31,788
2008	<u>2,654</u>
	<u>\$ 95,658</u>

InTRAC sublets a portion of its leased facility to Sprint Communications Company, L.P. on a month-to-month basis.

NOTE E - PENSION PLAN

InTRAC adopted a 403(b) retirement plan covering all eligible employees. The contribution made by InTRAC is in the amount of 10 percent of the employee's salary. Retirement plan expense was \$7,742 and \$7,048 for the years ended September 30, 2004 and 2003, respectively.

NOTE F - SUBSEQUENT EVENTS

On November 5, 2004, InTRAC filed with the Indiana Utility Regulatory Commission (IURC) for a decrease in the surcharge that funds its operations from \$.06 per access line to \$.03 per access line. The new surcharge was approved by the IURC. The rate will be in effect beginning April 1, 2005. The new rate will not provide sufficient revenues to cover InTRAC's ongoing costs. InTRAC believes it has sufficient cash and investments on hand to cover the anticipated shortfall.

**Indiana Telephone Relay Access Corporation
For the Hearing and Speech Impaired**

(InTRAC)

Projected Statements of Cash Flows

**Indiana Telephone Relay Access Corporation
For the Hearing and Speech Impaired**

(InTRAC)

Indianapolis, Indiana

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To the Board of Directors
Indiana Telephone Relay Access Corporation for
the Hearing and Speech Impaired (InTRAC)

We have compiled the accompanying projected statements of cash flows for the years ending September 30, 2005, 2006 and 2007, in accordance with the guidelines established by the American Institute of Certified Public Accountants.

The accompanying projected cash flows statements presents, to the best of management's knowledge and belief, InTRAC's projected cash flows for the projection periods that would result if relay costs and surcharge revenues are as described in the list of assumptions. Financial position and results of operations are not intended to be projected. These projected cash flows statements were prepared for the InTRAC Board of Directors and are intended to be used by InTRAC to satisfy its obligation under Section 8-1-2.8-21(3) of the Indiana Code to file reasonable projections of anticipated funding requirements with the Indiana Utility Regulatory Commission and should not be used for any other purpose.

A compilation is limited to presenting projected information that is the representation of management and does not include evaluation of the support for the assumptions underlying such information. We have not examined the projected statements of cash flows and accordingly, do not express an opinion or any other form of assurance on the accompanying statements. Furthermore, there will usually be differences between projections and the actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

We are not independent with respect to Indiana Telephone Relay Access Corporation for the Hearing and Speech Impaired.

April 28, 2005

InTRAC

Projected Statements of Cash Flows

	For the Years Ending September 30,		
	2005	2006	2007
Cash Provided by			
Local exchange carriers	\$ 1,624,320	\$ 1,045,080	\$ 1,008,360
Wireless service providers	1,417,500	1,181,160	1,299,240
Investment income	291,767	260,205	237,018
Rental income	11,208	11,208	11,208
Total	<u>\$ 3,344,795</u>	<u>\$ 2,497,653</u>	<u>\$ 2,555,826</u>
Cash Used by			
Relay service expense	\$ 2,928,600	\$ 2,753,160	\$ 2,588,040
Advertising costs	100,000	100,000	100,000
Other operating expenses	228,000	228,000	228,000
TTY program costs	237,100	237,100	242,650
Total	<u>\$ 3,493,700</u>	<u>\$ 3,318,260</u>	<u>\$ 3,158,690</u>
Net Change in Cash and Cash Equivalents	\$ (148,905)	\$ (820,607)	\$ (602,864)
Beginning Cash and Cash Equivalents	<u>7,634,848</u>	<u>7,485,943</u>	<u>6,665,336</u>
Ending Cash and Cash Equivalents	<u>\$ 7,485,943</u>	<u>\$ 6,665,336</u>	<u>\$ 6,062,472</u>

See accompanying summary of significant projection assumptions and accounting policies and accountants' report.

InTRAC

Summary of Significant Projection Assumptions and Accounting Policies

General

This financial projection of cash flow presents, to the best of management's knowledge and belief, the expected results of cash flow for the projection period. Accordingly, the projection reflects management's judgement as of April 28, 2005, the date of this projection, of the expected conditions and its expected course of action. The presentation is designed to provide information for the InTRAC Board of Directors and the Indiana Utility Regulatory Commission and cannot be considered to be a presentation of expected future results. Accordingly, this projection may not be useful for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Significant Accounting Policies

The summary of significant accounting policies are as stated on pages 5 and 6 in the historical audited financial statement for the year ended September 30, 2004 set forth in this document.

Revenue

The monthly surcharge that funds InTRAC's operations was \$.06 until April 1, 2005, when it decreased to \$.03.

The surcharge will be assessed on an average of 3,008,000 wire lines in the projection year ended September 30, 2005. Based on the change in access lines between the period of January 2004 and January 2005, it is assumed that these lines will decrease at an annual rate of 3.5% from September 30, 2004 forward.

The surcharge will be assessed on an average of 2,625,000 wireless customers in the projection year ended September 30, 2005. A comparison of wireless customers at January 2004 and January 2005 indicates annual growth rates of over 10%. In addition, a new contract is expected to be signed with an additional cellular company which would affect the year ended September 30, 2006. Accordingly, we have assumed that wireless customers will grow at a rate of 10% in the years ended September 30, 2005 and 2007 and will grow at a rate of 25% in the year ended September 30, 2006.

Revenue calculations for the projection year ended September 30, 2005 are as follows:

LEC Customers

Monthly to Mar 2005	3,008,000	X \$.06	= \$	180,480
Monthly to Sept 2005	3,008,000	X \$.03	= \$	90,240
Annual	\$ 180,480	X 6 + \$ 90,240	X 6 =	\$ 1,624,320

InTRAC

Summary of Significant Projection Assumptions and Accounting Policies

Revenue (Continued)

Wireless Customers

Monthly to Mar 2005	2,625,000 X \$.06 = \$	157,500
Monthly to Sept 2005	2,625,000 X \$.03 = \$	78,750
Annual	\$ 157,500 X 6 + \$ 78,750 X 6 = \$ 1,417,500	

Monthly rental income of \$934 for office space occupied by a Sprint employee will continue through the projection period.

Based on an assumed risk free rate of return for invested funds, it is assumed that invested cash reserves will provide a 4.00% annual rate of return. Excess cash reserves will be invested in mutual funds investing in debt, equity and fixed income securities and also will be invested in corporate and government bonds.

Relay Service Expense

The cost of relay service will be based on minutes of use at a cost per minute of \$.86. Based on the yearly change in billable minutes through September of 2004, it is estimated that billable minutes will decrease annually at a rate of 6.0% throughout the projection period. Estimated billable minutes for the projection year ended September 30, 2005 will be 3,402,000.

Administrative Expenses

The annual cost of the administration of InTRAC is estimated to be \$328,000 throughout the projection period. This includes \$100,000 that has been budgeted each year for advertising.

Equipment Program Costs

InTRAC purchases equipment for those hearing and speech impaired individuals who are financially unable to purchase the equipment themselves. Several choices are now available that allow for different technological applications. Individual unit costs range from \$220 to \$519. In addition one of the programs involves an annual service cost of \$71,000. Cost estimates are based on management's estimate of market demand for this equipment.

Other Considerations

Cash and cash equivalents are defined as deposits maintained in various bank accounts or any other temporary investment made with excess cash.

The assumptions disclosed are not necessarily all-inclusive.